

A LABOR DAY BRIEFING FOR CALIFORNIA

September 2004

State of California
Employment Development Department
Labor Market Information Division

This [Briefing](#) was prepared to report on California's labor markets as the nation commemorates Labor Day, September 6. This report presents significant labor market trends and topical statistics relating to the California economy.



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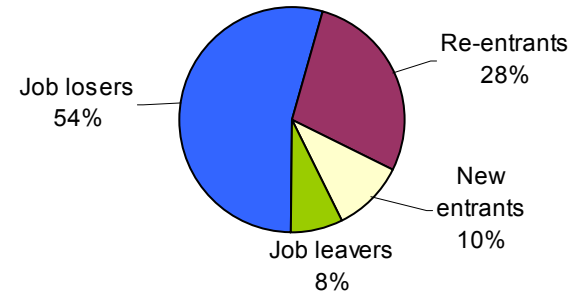
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A FEW BASIC FACTS

- ◆ According to the household survey of employment, there are nearly 16.6 million working Californians. Twelve percent of all working Americans reside in California. Four out of five working Californians are employed full-time. About one out of every ten working Californians is self-employed.
- ◆ Nearly two-thirds of California's population 16 years and older either have a job or are actively looking for work. The remainder of the working-age population is not in the labor force, a category that includes homemakers, students, and retirees.
- ◆ As of July 2004, there were 1.1 million unemployed Californians. Three-fifths of these persons had been unemployed for less than 15 weeks, and three of every ten had been unemployed for less than five weeks.
- ◆ There are several reasons for unemployment. Slightly more than half of unemployed Californians are unemployed due to the loss of a job, one-quarter are re-entering the labor force after a period of absence, and one out of every ten is a new entrant to the labor force.
- ◆ According to the payroll survey of employment, five out of every six nonfarm jobs in California are in service-providing industries while the remainder are in goods-producing industries.
- ◆ Trade, Transportation, and Utilities; Government (with nearly half of all government jobs in education); and Professional and Business Services are the industry sectors with the largest number of jobs. These three sectors account for half of California's total nonfarm jobs. The farm sector accounted for about 3 percent of total industry employment in July.

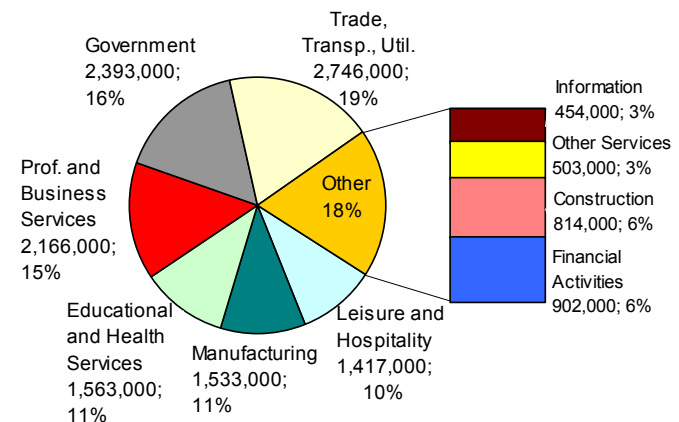
Job Losers Account for Slightly More Than Half of Unemployed Persons

(Reasons for Unemployment, July 2004, 12-month moving average)



The Three Largest Industry Sectors Account for Half of California's Jobs

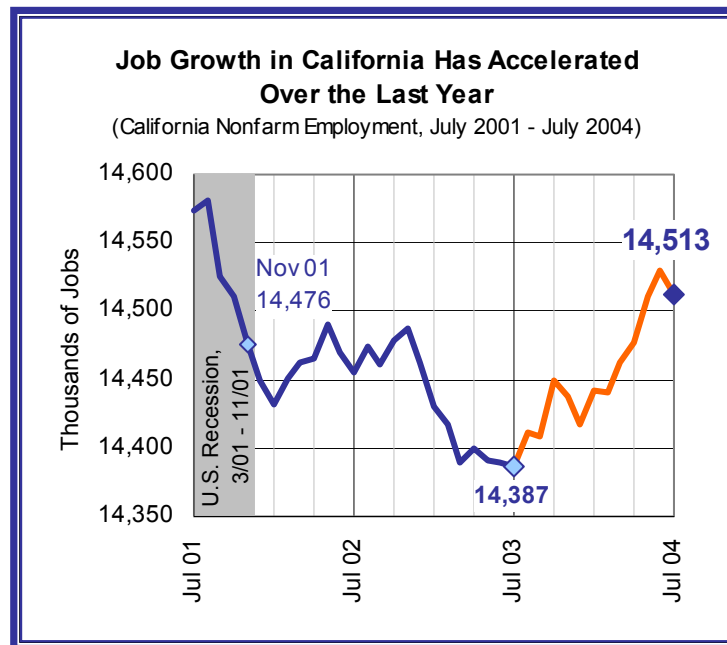
(Nonfarm Jobs by Industry Sector, July 2004)



RECENT EMPLOYMENT TRENDS ARE ENCOURAGING

JOBS

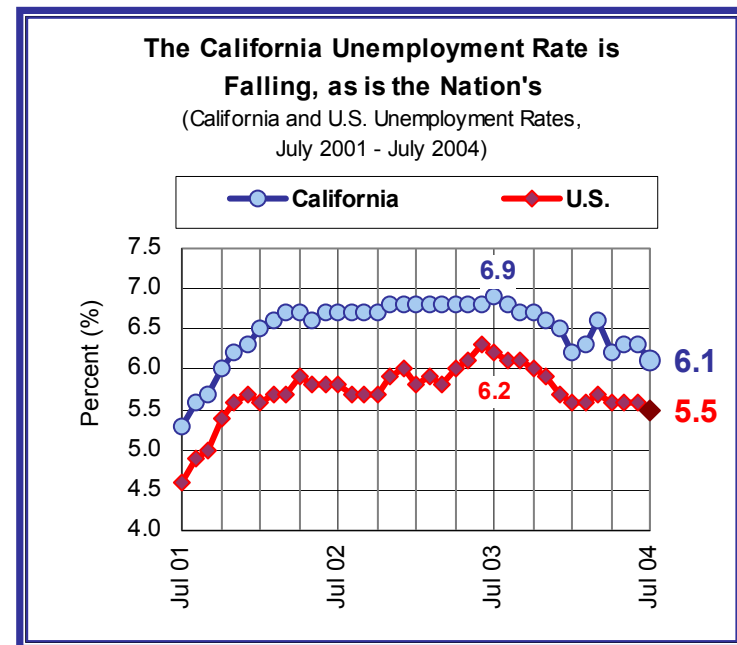
- ◆ The economic outlook has brightened during the last year. The rate of job growth accelerated in both California and the U.S. over the year ending in July 2004, after languishing during much of the current economic recovery.
- ◆ California's nonfarm payrolls rose by 126,000 jobs from July 2003 through July 2004. In comparison, California lost 89,000 jobs during the first 20 months of the 32-month economic recovery.
- ◆ National job growth also accelerated in the last year, with job gains of nearly 1.5 million jobs. In comparison, the nation lost nearly 1.1 million jobs during the first 20 months of the recovery.



- ◆ In percentage terms, U.S. job growth has been slightly stronger over the last year than in California. Whereas U.S. nonfarm payrolls have risen 1.1 percent over the last year, California's have grown by 0.9 percent.

LABOR FORCE EMPLOYMENT

- ◆ California's unemployment rate was 6.1 percent in July 2004. The rate has fallen 0.8 percentage point over the last year.
- ◆ The California unemployment rate has largely paralleled the national trend over the last year. The U.S. rate was 5.5 percent in July, a decrease of 0.7 percentage point from July of last year.



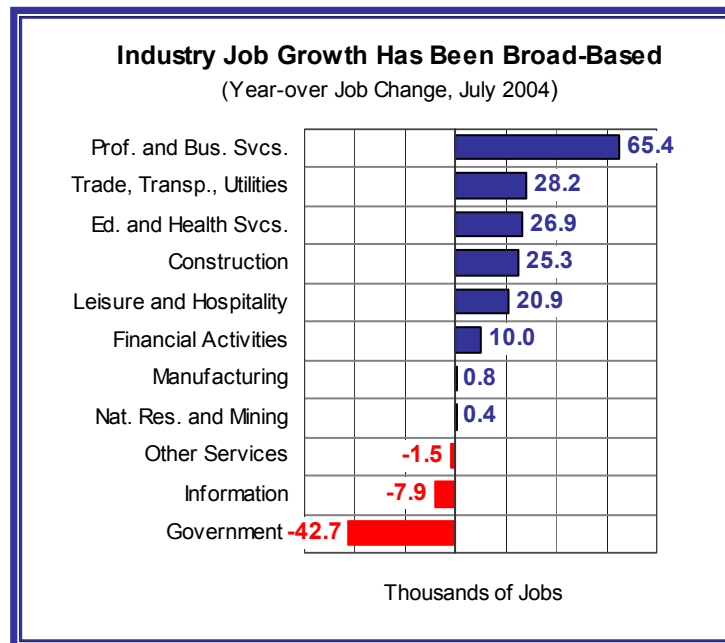
- ◆ The number of unemployed Californians fell by 118,000 persons (or 10 percent) over the last year.
- ◆ Reflecting the improving economy, the number of job losers fell by 56,000 persons (or 8 percent) over the last year and the number of unemployed re-entrants to the

labor market fell by 6 percent. In contrast, the number of job leavers rose by 8 percent, and the number of new entrants who were unemployed increased 21 percent.

- ◆ California's labor force continues to expand. Over the last year, it has grown 190,000 persons to 17.7 million persons, an increase of 1.1 percent.

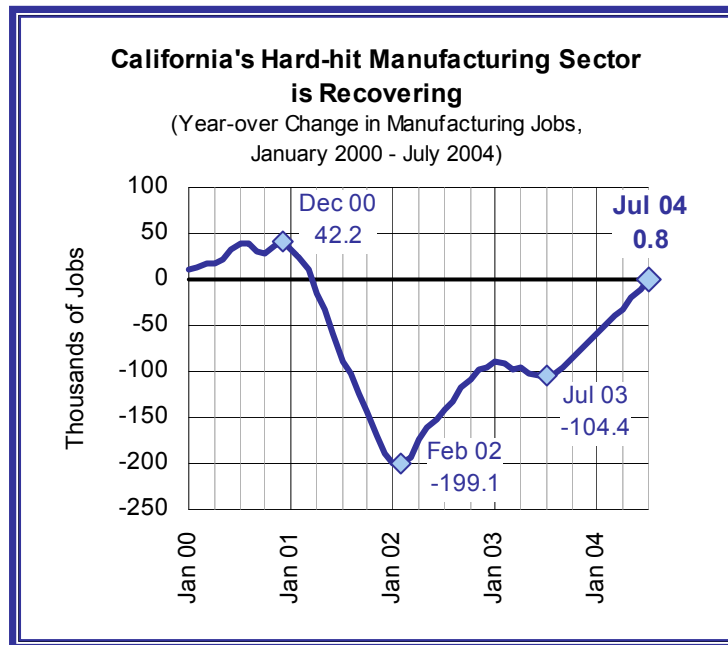
INDUSTRY HEADLINES

- ◆ California's nonfarm payroll growth has been broad-based. As of July 2004, eight of California's eleven major industry sectors exhibited year-over job growth, while just three exhibited losses.

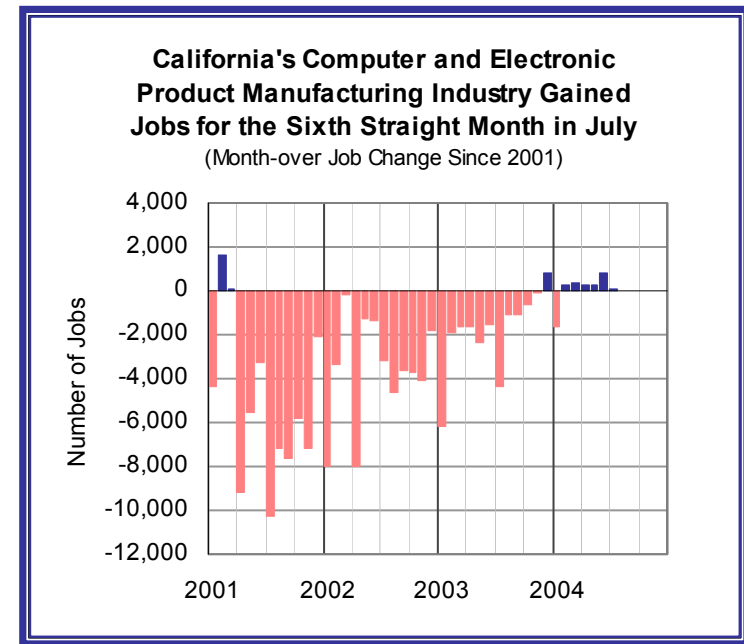


- ◆ Professional and Business Services added the most jobs among major industry sectors during the last year, growing by 65,400 jobs (or 3.1 percent). The majority of this hiring was in employment services – an industry that is often a harbinger of future hiring by firms.
- ◆ The state's housing sector continued to boom over the last year. Construction was the fastest growing sector in the economy, growing by 25,300 jobs (or 3.2 percent) since July of last year. Year-over construction job growth was particularly strong in the Southern Border (which includes San Diego) and Greater Sacramento Regions. Moreover, the Financial Activities sector, boosted by low mortgage interest rates, grew by 10,000 jobs over-the-year.
- ◆ The Trade, Transportation, and Utilities; and Educational and Health Services sectors both added more than 25,000 jobs over the last year.
- ◆ Reflecting underlying strength in California's tourism and entertainment industries, the Leisure and Hospitality sector added nearly 21,000 jobs over the last year. Growth was strongest in the Central Sierra and Southern California Regions.

- California's Manufacturing sector has turned the corner. The sector gained 800 jobs over the year ending in July 2004. This was Manufacturing's first month of year-over job growth since March 2001. The sector's more recent job growth has been stronger. Manufacturing added jobs for the fourth consecutive month in July, with gains over the period totaling 7,500 jobs. In contrast, Manufacturing's year-over job losses totaled 104,400 jobs in July 2003, and 199,100 jobs at their peak in February 2002.



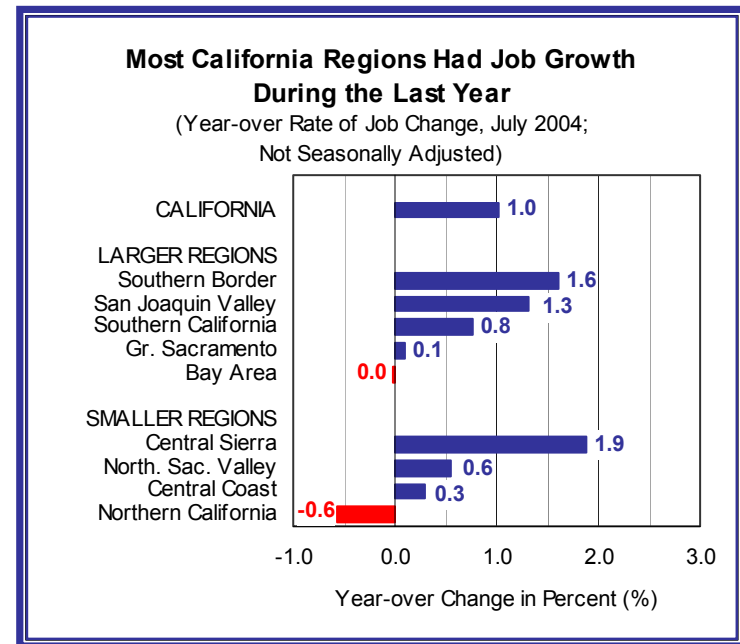
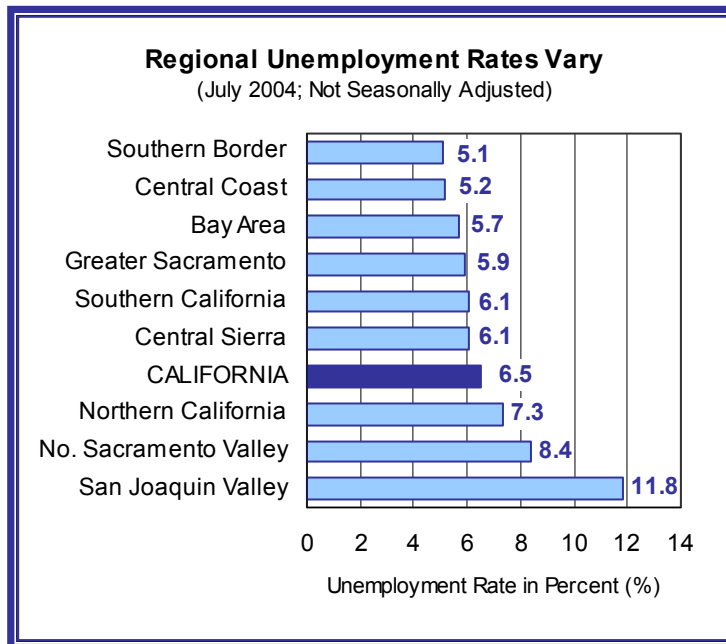
- California's high technology manufacturing industries have also begun expanding. The Computer and Electronic Product Manufacturing industry, which was especially hard-hit by the recession, gained jobs for the seventh time in the last eight months in July. The industry suffered through 32 consecutive months of job losses before these gains.



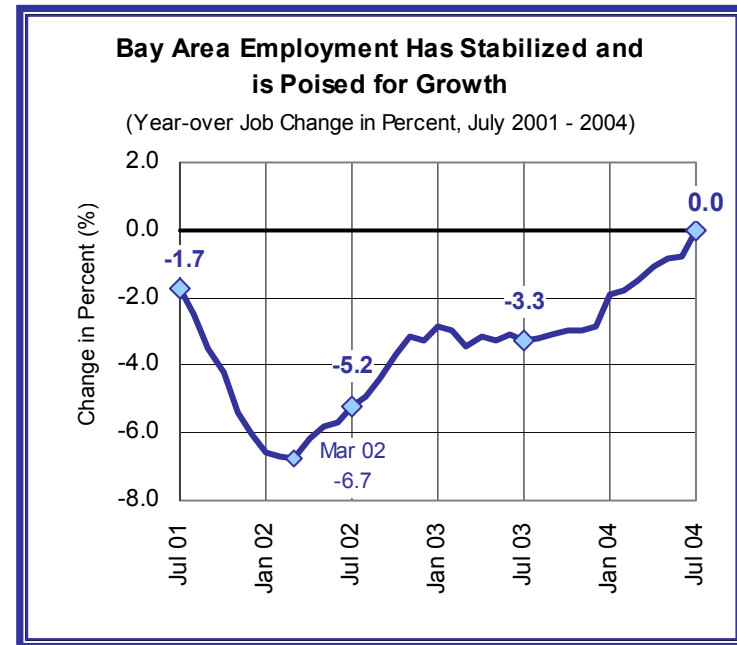
- California's Information sector continues to rebound gradually, despite showing year-over job losses totaling 7,900 jobs (or 1.7 percent) in July 2004. The sector's year-over job losses were nearly three times higher in July 2003, and totaled over 78,000 jobs (or 13 percent) at their peak in November 2001.
- Reflecting budget difficulties at the State and local level, Government was the state's weakest industry sector during the last year, with year-over losses totaling 42,700 jobs (or 1.8 percent) in July. These losses were concentrated in local government, and in particular, local government education. However, California's Government employment was stable over the first seven months of 2004.

EMPLOYMENT IS STRONGEST IN THE SOUTH OF THE STATE, AND RECOVERING IN THE BAY AREA

- ◆ Regional labor markets characterize California's vast economy. The state's five largest regions (Southern California, Bay Area, Southern Border, San Joaquin Valley, and Greater Sacramento) account for nearly 95 percent of the state's jobs.
- ◆ Regional unemployment rates vary widely. The unemployment rates of the state's more urban regions along the coast tend to be lower than those of more rural or agriculturally-oriented regions. The Southern Border had the lowest unemployment rate in July 2004 at 5.1 percent, while the San Joaquin Valley Region had the highest rate at 11.8 percent.
- ◆ All California regions had falling or stable unemployment rates over the year ending in July 2004. The Bay Area (down 1.3 percentage point) had the largest year-over unemployment rate drop, followed by Southern California (down 0.8 percentage point) and the San Joaquin Valley (down 0.7 percentage point). In contrast, the unemployment rates of the Central Sierra and Northern California Regions held steady over the last year.
- ◆ Year-over employment growth tended to be stronger in southern regions of the state and the Central Valley than in northern regions of the state.



- ◆ Nonfarm employment grew in seven of the state's nine regions during the last year. The Central Sierra Region grew at the fastest pace (1.9 percent), while Northern California had the largest job loss (0.6 percent). Employment in the Bay Area was little changed.
- ◆ Among the state's larger regions, the Southern Border grew at the fastest rate (1.6 percent) over the last year, followed by San Joaquin Valley (1.3 percent) and Southern California (0.8 percent). In contrast, employment in Greater Sacramento and the Bay Area was largely flat.
- ◆ In numerical terms, the Southern California Region gained 51,000 jobs over the last year. Southern Border (up 20,600 jobs) and San Joaquin Valley (up 14,000 jobs) were the other regions with nonfarm employment growth of more than 10,000 jobs.
- ◆ Nonfarm employment was stable in the 10-county Bay Area during the last year, declining by just 600 jobs (a zero percent change). This represents a dramatic improvement from past trend. Regional job losses totaled 110,000 jobs (or 3.3 percent) over the year ending in July 2003, and totaled 247,100 jobs (or 6.7 percent) at their peak in March 2002.



SPOTLIGHT ON BIOTECHNOLOGY INDUSTRIES

The story of California's biotechnology industry is one of continuing recovery in 2004. Employment has continued to grow and investment in the industry is up from last year. Investors have remained cautious, however, and the balance of the year is expected to see moderate improvement, rather than the exuberance seen in the late 1990s.

- ◆ The biotechnology industry continues to grow in California, with the state maintaining its status as the nation's premier biotechnology employer. Although investment in the industry remains below the peak reached in 2000, it has recovered from a marked fall in 2001 and 2002. So far this year, money is flowing into the industry at a rate well above that of 2003. The first two quarters of 2004 saw approximately \$14.5 billion in capital investments nationwide, as compared with \$8.9 billion for the same period in 2003.¹
- ◆ After a virtual standstill in initial public offerings for the past several years, nationally more than 20 biotechnology companies successfully floated initial public offerings (or IPOs).² The value of all publicly traded biotechnology companies in the United States in early 2004 totaled \$311 billion.³
- ◆ California is home to over 420 biotechnology firms, the most in the nation, representing nearly 30 percent of

the U.S. biotechnology market.⁴ Today, California's biotechnology firms employ an estimated 100,000 workers. By 2015, the industry may employ as many as 250,000 workers.⁵ Most of California's biotechnology jobs are located in four major centers: San Diego, Los Angeles/Orange, the San Francisco Bay Area, and Sacramento/Stockton.⁶

- ◆ Employment in biotechnology continues to increase statewide. The industry is expected to add about 3,000 new jobs this year in the San Francisco Bay Area alone.⁷ One factor that will have an impact—not only on the number of people working in the industry but on what jobs they will be doing—is the move by the industry into manufacturing. In the past, most drugs and other biotechnology product manufacturing have been contracted out. That appears to be changing. As manufacturing jobs are added, there will be an increased interest in job applicants who have two-year technical degrees.⁸
- ◆ The industry employs a wide range of workers, from animal handlers and greenhouse assistants to scientists and bioinformatics specialists. Education requirements vary considerably as well. Some jobs require only a high school diploma, while others require a doctorate degree. Some jobs can be filled with a

¹ May, Troy, "Capital Flowing in, but Pace Appears to be Slowing," *Silicon Valley/San Jose Business Journal*, August 2, 2004.

² Ibid.

³ "Biotechnology Industry Facts," Biotechnology Industry Organization, n.d., <http://www.bio.org/speeches/pubs/er/statistics.asp> (August, 2004).

⁴ "Top Americas Biotech Centers," *Resilience: Americas Biotechnology Report 2003*, Ernst & Young.

⁵ Levine, Daniel S., "Hayward State Center to grow Biotech Workers," *San Francisco Business Times*, March 12, 2004.

⁶ Pollak, Daniel, "How Large are the Bioscience Industries and Where are they Located?" *California's Bioscience Industries: Overview and Policy Issues*, California State Library, October 2002, pp. 34-37.

⁷ May, Troy.

⁸ Ibid.

minimum level of experience, while others require a job candidate to be fully prepared and able to work at top speed immediately. Biotechnology jobs pay well, averaging \$68,000 annually.⁹

- ◆ The attractiveness of the biotechnology industry has not been lost on other states and nations.¹⁰ At a recent biotechnology conference, attendees from more than 60 countries turned out, illustrating the industry's international appeal. Another indication of the serious efforts underway to attract biotechnology companies was the large number of states that were present at the conference.¹¹ In response to this ongoing challenge, the State of California recently released *Taking Action for Tomorrow: California Life Sciences Action Plan*, a blueprint for actions to keep the state an attractive place for biotechnology businesses.¹²
- ◆ Biotechnology companies continue to see California as a favorable place to do business. World-class educational facilities, a well-educated workforce, and productive interaction between industry and academia make California a strong player in attracting and keeping biotechnology companies. For example, the state's community college system offers biotechnology programs or related courses at more than 35 of their campuses. According to a recent study of biotechnology infrastructure and job-creating prowess, California came out on top, home to six of the nation's top twelve biotechnology regions.¹³

⁹ Levine, Daniel S., "City's Biotech Ambition Hits Resistance," *San Francisco Business Times*, May 28, 2004.

¹⁰ Prah, Pamela M., "States Woo Biotech Firms," *Stateline.org*, July 2, 2003, <http://www.stateline.org/statline/?pa=story&sa=showStoryInfo&print=1&id=313825> (August, 2004).

¹¹ Levine, Daniel S., "California Too Broke to Buy into Bio Bonanza," *San Francisco Business Times*, May 7, 2004.

¹² *Taking Action for Tomorrow: California Life Sciences Action Plan*, Business, Housing and Transportation Agency of California, 2004.

¹³ "What are America's Top Biotech Centers?" *America's Biotech and Life Science Clusters*, Milken Institute, June 2004, p. 34.

Overall Composite ¹⁴		
MSA	Rank	Composite Score*
San Diego	1	100.0
Boston NECMA	2	95.1
Raleigh-Durham-Chapel Hill	3	92.5
San Jose	4	87.8
Seattle-Bellevue-Everett	5	83.8
Washington, D.C.	6	79.4
Philadelphia	7	76.5
San Francisco	8	75.8
Oakland	9	74.3
Los Angeles-Long Beach	10	66.5
Orange County	11	54.1
Austin-San Marcos	12	47.8

*According to the Milken Institute's study *America's Biotech and Life Science Clusters*, methodology for this table is as follows: data collection and analysis focused on 12 metropolitan areas that showed the greatest specialization and concentration of biotechnology industry in the U.S. To compare the relative strength of each metro's biotech research and development asset, we scaled out each component by population, employment, or gross metro product (GMP), such as, the San Diego metro's academic R&D dollar (to biotechnology) per capita. After such adjustments, we compared the relative scores of the 12 metros and ranked them.

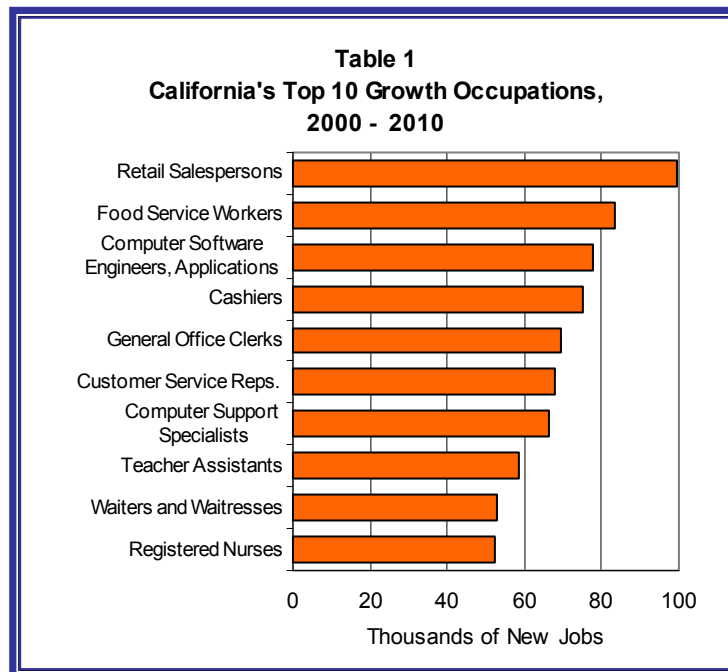
¹⁴ Ibid.

THE SHORT- AND LONG-TERM JOB OUTLOOK

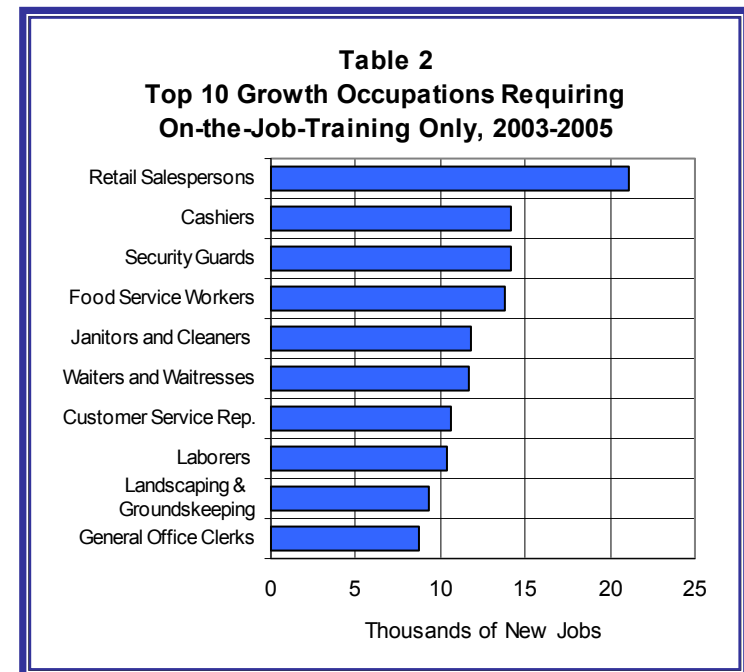
- California's projected annual average growth rate of 2.2 percent through 2010 is slightly higher than the 1.8 percent projected growth rate for 2005. Much of the occupational growth for 2005 and beyond will be driven by growth in the Professional and Business Services, Retail Trade, Health Care, and Accommodation and Food Services industries.

The three tables presented in this section display:

- Table 1** - The 10 occupations that will add the most new jobs from 2000-2010.
- Table 2** - The 10 occupations that will add the most jobs from 2003-2005 and require only on-the-job-training.



- Table 3** – The 10 occupations that will add the most jobs from 2003-2005 and require at least a bachelor's degree.
- Retail Salespersons, Combined Food Preparation and Serving Workers, Cashiers, Office Clerks, Customer Service Representatives, and Waiters and Waitresses are occupations that are included in both **Table 1** and **Table 2**. There are large numbers of workers in each of these occupations. Although projected growth rates of these occupations are only slightly above average, their sheer size will result in many new jobs.



- ◆ With the exception of Customer Service Representatives and General Office Clerks, most of these jobs pay less than \$10 per hour on average. Customer Service Representatives average about \$14 per hour and General Office Clerks about \$12 per hour.
- ◆ The top 10 growth occupations through 2010 (**Table 1**) include three occupations that require greater skills and pay higher average hourly wages. They are: Computer Support Specialists (\$21.52), Computer Software Engineers, Applications (\$40.96) and Registered Nurses (\$30.24). Each of these occupations requires at least a bachelor's or associate degree.



- ◆ **Table 3** shows the top 10 growth occupations for 2005 that require at least a bachelor's degree. These occupations are primarily management or computer-related.
- ◆ The average hourly wage for these 10 occupations ranges from \$26.32 per hour for Accountants and Auditors to \$50.27 for Computer and Information Systems Managers.

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